

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

**Number: 201302042  
Release Date: 1/11/2013**

**Employer Identification**

**Contact Person - ID Number:**

**Contact Telephone Number**

**Date: October 19, 2012**

**LEGEND**

**UIL: 4945.04-04**

**Y= Name  
Z= Location Name**

**b=Quantity  
c=Quantity**

**Dear :**

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated January 09, 2012.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program called Y.

The purpose of Y is to provide funding to students who would be the first member of their family to attend higher educational institutions at no cost for up to five academic years. You will fund b scholarships each year to be used for tuition, room, board, mandatory fees as well as books and materials.

Students must be residents of Z in order to be eligible and attend one of b eligible institutions in Z as well as be the first person in their family to attend college. The eligible institutions are those higher education institutions located in Z in which the recipients will attend. Less than 40% of the adult population in Z has received a Bachelors degree.

You believe that the eligible institutions are best suited to select potential recipients of scholarships. These institutions are already in receipt of extensive information from potential recipients as part of the application for admission and request for financial aid. Accordingly, you will defer to the institutions'

nominations of potential recipients. Moreover, you will publicize your program through the eligible institutions.

You will enter into an agreement with each of the b eligible institutions as a participating institution. The agreement requires each eligible institution to review potential recipients' information to determine if they are eligible for your scholarships. The agreement states each eligible institution will:

- Verify and warrant to you that potential recipients are residents of Z who would be the first member of their family to attend college.
- Screen potential recipients and verify the potential recipients' scores on performance tests as well as verify their scholastic performance.
- Verify financial need and family circumstances.
- Request consent from the nominees to forward their names to you.
- Specify the financial aid and other outside scholarship support for which each nominee would be eligible if that nominee were not selected.
- Furnish any additional information to you as requested.

After reviewing potential recipients' information, each eligible institution will prepare a ranked ordered list of up to c eligible recipients each year and warrant to you that they have selected the potential recipients utilizing objective and non-discriminatory criteria in preparing these lists.

The selection committee will then select recipients from the rank-ordered list of potential recipients. The selection committee is designated by your board of directors in accordance with your bylaws. Your selection committee is currently comprised of at least three trustees and such numbers as determined by the board. There is no limit on the number of terms, consecutive or otherwise, that a committee member may serve. No members of the selection committee will be in a position to derive a private benefit if certain potential grantees are selected over others. Relatives of members of the selection committee will not be eligible for scholarships.

You also maintain a Conflict of Interest Policy under which all selection committee members are required to disclose all possible conflicts. Furthermore, each member of the selection committee is required to make an annual statement confirming that he or she will comply with the policy.

The committee will review the list and approve the first student on the list. The decision will be rendered prior to the eligible institution's enrollment deadline. After you have approved the recipients, the eligible institutions will notify and offer the scholarship to the first student on the list. If the student declines the scholarship, the eligible institution will offer the scholarship to the other students on the list in rank order. The institution then will notify you of the identity of the student accepting the scholarship.

With respect to each recipient, you intend to provide funding to the college to insure that meshing with that institutions' available scholarship program, the institution will provide the student a full scholarship covering tuition, mandatory

fees, room, board and an appropriate sum for books and materials. The amount will be determined at your sole discretion. Recipients will not be required to take out student loans or participate in work-study programs. Recipients will attend as residential students

In addition, you intend to implement a mentorship program in which each recipient is paired with a member of your board or other associate of yours, who will support the recipient in his or her studies to reduce the likelihood of withdrawals from the program. As a part your belief in giving back to the community, you expect to require recipients to contribute at least ten hours each week during the normal academic term to a 501(c)(3) not-for-profit organization or government agency within Z (other than you).

In order to renew a scholarship, the participating institution that the recipient is attending will be required to submit, within a time specified by you, (a) a request for renewal, (b) a letter from an appropriate official of the institution attesting to the recipient's reasonable progress towards a timely degree, (c) a statement of tuition, (d) a letter from the not-for-profit institution of institutions at which the recipient worked attesting to the contributions made by the recipient. If the students withdraw from the eligible institutions or otherwise fail to fulfill the requirements of the program, their scholarships will not be renewed.

All scholarship payments will be disbursed directly to the institutions. Institutions will enter into a written agreement with you agreeing to use the grants to defray the recipient's expenses or to pay the funds (or portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his standing at such educational institution is consistent with the purposes and conditions of the grant.

Where reports to you or other information (including failure to submit reports after a reasonable time has elapsed after the due date) indicates that all or any part of the grant funds are not being used for the purposes of such grant, you shall initiate an investigation. While conducting the investigations, you may withhold any applicable further payments to the extent possible until it has been determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted.

If you determine that any part of a grant has been used for improper purposes, you may at your option elect to either terminate the grant and take all reasonable and appropriate step to recover the diverted grant funds or, take all reasonable and appropriate steps to ensure the restoration of the diverted funds to their proper purpose and receive assurances acceptable at your discretion from the grantee that all additional grant funds held by the grantee shall be dedicated solely for the purposes being financed by the grant. You may take legal action to recover any diverted grant funds, unless such action would in all probability not result in the satisfaction of execution of a judgment.

You will maintain grant records and these shall be maintained for seven years after completion of the grant period. The grant records will apply to information used to evaluate the qualifications of potential grantees, identification of all grantees, including any relationship of any grantee to you, the amount and

purpose of each grant and all grantee reports and other follow-up data obtained in administering the grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject of the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) It plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that

such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) **of the Code. This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Holly O. Paz  
Director, Exempt Organizations  
Rulings and Agreements